Southern California Public Power Authority
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June 21, 2024 | Submitted electronically

Ms. Rajinder Sahota
Deputy Executive Officer
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1001 I Street
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RE: Comments on Potential Amendments to the Cap-and-Trade Regulation, May 31, 2024, Workshop

The Southern California Public Power Authority[1] ("SCPPA") appreciates the opportunity to provide feedback on the Cap-and-Trade Regulation Workshop hosted by the California Air Resources Board ("CARB") staff on May 31, 2024.

<u>Workshop Feedback</u>

SCPPA Members are not-for-profit, publicly owned utilities ("POUs") are dedicated to providing affordable, clean and reliable power. This commitment not only minimizes financial burden on ratepayers, but also bolsters the local economy and advances state and local climate objectives. SCPPA Members are diverse, serving commercial, industrial, and residential communities, including those that are low-income and disadvantaged.

SCPPA Members are instrumental to the success of the Cap-and-Trade program (Program) by significantly reducing greenhouse gas emissions (GHGs) through proactive measures such as transitioning from fossil-based to renewable energy resources. POUs play a unique and pivotal role in reducing GHGs, thereby delivering tangible benefits to their communities. These benefits manifest as direct savings on utility bills and through various indirect programs designed to serve and benefit all members of their communities.

SCPPA appreciates the opportunity to comment on the workshop and questions posed by staff.

CARB Question: Is the current EDU allocation sufficiently aligned to promote state electrification goals?

SCPPA Members are not only working to support the state's climate goals, but many are striving to exceed them with even more ambitious clean energy targets. SCPPA Members have been able to lean on regulatory certainty, as provided with the existing Program EDU allowance allocation, to make early investments transitioning to renewable resources. It is critical that POUs maintain that allowance allocation to comply with the Program, support those early action decisions, and to continue supporting the clean energy transition and providing

[1] SCPPA is a joint powers authority whose members include the cities of Anaheim, Azusa, Banning, Burbank, Cerritos, Colton, Glendale, Los Angeles, Pasadena, Riverside, and Vernon, and the Imperial Irrigation District. Each Member owns and operates a publicly owned electric utility (POU) governed by a board of local officials. Our Members collectively serve nearly five million people throughout Southern California. Together they deliver electricity to over two million customers throughout Southern California, spanning an area of 7,000 square miles.

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programs benefiting their customers. As previously stated in SCPPA's written comments, without these directly allocated allowances, some SCPPA Members would be required to increase rates by 10% or more, to comply with the Program.

In order to best protect ratepayers and advance the state's climate change goals, it is critical that the Program maintain consistent and historic treatment for all electric utilities, specifically allowing POUs and their governing boards to determine how to best utilize directly allocated allowances. The decisions made by individual POUs have anchored many of the leading clean energy investments and programs that have led to significant GHG reductions. Market-based programs are successful when the participants have confidence in the market without restrictive requirements that prevent effective participation.

SCPPA is concerned with the suggestion in slide 19 that nearly all of the reduction in allowance allocation from 2025-2030 could come from EDU allocation. While we understand that the slide is only illustrative, we reiterate the key role that the electricity sector plays in underpinning the state's climate strategy, the challenges the sector faces in rapidly decarbonizing while potentially increasing load significantly, challenges posed by supply chain constraints, extreme weather and other uncertainties, and the early investments in decarbonization already made by utilities under the expectation of receiving allowance allocations as described in Table 9-4: and urge CARB to maintain the current EDU allowance allocation, with an adjustment to account for the increased RPS fraction under SB 100.

CARB Question: How should EDU allocation be set post-2030 given decreasing Program allowance budgets?

Significant changes are expected to impact utilities between now and 2030, driven by the Renewables Portfolio Standard (RPS) 60% renewables mandate, extensive infrastructure development, and widespread building and vehicle electrification goals. These initiatives have cost implications stemming from significant increases in electricity demand, expansion of resources, grid hardening, and inclusion of new/emerging technologies. Moreover, infrastructure improvements and expansion on the federal level are beyond California's purview with cost and timeline impacts. All of these variables are expected to substantially alter the data underpinning POU allowance allocation. Prematurely prescribing the post-2030 allowance allocation and having to revise them later would undermine the regulatory certainty that the program aims to establish. Instead, SCPPA recommends that CARB identify principles for the Cap-and-Trade program post-2030 without prescribing the EDU allowance allocation for post-2030 during this rulemaking.

In particular, and in addition to widespread new loads from data centers, the state's transportation and building electrification goals, and other sources – the Scoping Plan identifies potentially significant new loads from hydrogen production and carbon removal that are not currently accounted for in energy planning processes. These sources could potentially dwarf other anticipated sources of new load, and anticipate additional uncertainty into post-2030 energy and climate planning. One thing that's clear is that the electricity sector will account for an increasing fraction of statewide energy demand and supply, and the Program should similarly

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reflect a growing shift from molecules to electrons in allowance allocation beyond 2030. The current vision for that growing share may still underestimate electricity loads in our clean energy and carbon neutral future.

CARB Question: Should there be any additional limitations on the types of GHG reduction projects that can be funded with EDU allocated allowance value?

The Cap-and-Trade regulation section 95892(d)(3)(A)-(D) outlines how utilities can use allocated allowance proceeds to reduce greenhouse gas emissions or provide benefit to ratepayers. Within these parameters, POUs are able to provide renewable energy, energy efficiency programs, and GHG reduction projects. These measures prevent imposing potential costs associated with the Program on ratepayers, all of which have resulted in GHG reductions and protected customers from increased rates. POUs are given this flexibility, whereas IOUs are not. This flexibility recognizes how POUs have direct customer impacts and engagement and variability within their communities. Allowance proceeds have enabled SCPPA Members to invest in renewable energy, transportation electrification infrastructure, and energy efficiency programs – including direct rebates to customers for electric vehicle chargers, building and vehicle electrification, community and shared solar initiatives, and home energy improvement programs. As currently designed, POUs are able to provide support for this wide array of renewable energy investments and other targeted clean energy programs, including in low-income and disadvantaged communities.

Most SCPPA Members prioritize allowance proceeds for renewable resource investments, yielding long-term benefits such as cleaner, more affordable energy for all customers. Reinvesting allocated allowance value into renewable energy helps meet escalating renewable energy goals while minimizing the need to raise rates to support Program compliance. This reinforces the goals of the Program, providing additional greenhouse gas reductions while maintaining electricity affordability.

Limiting the use of allowance value beyond the current stringent parameters is unnecessary. SCPPA Members have effectively used direct allocations of allowances for clean energy investments, customer-centric energy programs, and for compliance purposes. These efforts have led to actual GHG reductions and customer benefits, including cost offsets and rebate programs, thus promoting electricity affordability. We encourage CARB to maintain its current approach under the Program for allocating allowance value by POUs.

CARB Question: Should CARB consider an exemption for emissions generated during a state of emergency - aligned with the overall requirements in EO N-14-22 ?

Any rule applying to emissions from existing stationary combustion turbines must provide flexibility to address grid emergencies caused by extreme events (e.g., extreme weather events, heat storms, wildfires, natural disaster).

On September 6, 2021, the California Independent System Operator declared an Energy Emergency Alert and advised Californians "to be ready for potential rotating power outages" as the state expected the hottest weather

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of a historic heat wave to push electricity demand to an all-time high.[2] As an example, while relying on Governor Newsom's emergency proclamation, at least one SCPPA Member ran an existing stationary combustion turbine beyond the permitted requirements adopted by local air quality management districts. The resource only exceeded its permitted run time when it was most needed during the emergency period and the utility self-reported this information to the local air quality management district within 48 hours. Despite complying with the governor's emergency proclamation, this SCPPA Member received a notice of violation from the local air quality management district later that month. These types of penalties, after POUs support emergency situations, are discouraging and cause delays in support during future emergencies.

Where feasible, SCPPA encourages CARB to support quick and necessary deployment of resources to support the state during emergencies, without risk of impacting compliance with state agency programs/requirements. For public health and safety purposes, it is important to protect the ability for an electric utility to provide power during emergency events and avoid penalties when dispatching a resource in compliance with state emergency orders.

Conclusion

SCPPA appreciates this opportunity to provide feedback to CARB regarding the May 31, 2024, workshop on Potential Amendments to the Cap-and-Trade Regulation. These comments build on those previously submitted on August 17, 2023[3], October 26, 2023[4], and May 8, 2024[5]. We look forward to further collaborating with CARB as the Program is developed.

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[2] https://www.caiso.com/Documents/consumers-advised-to-be-prepared-for-possible-outages.pdf
[3] https://ww2.arb.ca.gov/system/files/webform/public_comments/5321/SCPPAComments_CapandTrade_August172023.pdf
[4] https://ww2.arb.ca.gov/system/files/webform/public_comments/6386/SCPPAComments_CapandTrade_October2023_0.pdf
[5] https://ww2.arb.ca.gov/system/files/webform/public_comments/10711/SCPPAComments_CapandTrade_May2024_final.pdf